ACTIVITIES

1 Introductory activity
   a Think about the word economy. What ideas does the word trigger in your mind? Quickly list the ideas in your file. (Time limit: 3–5 minutes)
   b With a partner, compare your lists and exchange ideas, adding to them and expanding the number of words you have. (3–5 minutes)
   c With your partner, join with another pair to form a group of four. Repeat the exercise, exchanging ideas and expanding your lists. (3–5 minutes)
   d Appoint a spokesperson in your group. Each group will report back to the whole class on their findings. You might add any words to your list which you hear from other groups and think are worthwhile.

2 Go through a selection of daily newspapers and cut out words from headlines which relate to economic issues. Use the words to make a collage on a sheet of A4 paper. Throughout the year, continue to collect newspaper articles on topics related to economics. You will use them later in the course for an assignment.

3 Use a dictionary to find the meanings of the highlighted words in the following text.

What is economics about?

Economics is about meeting our needs and wants. It is about improving living conditions and managing available resources in a way which maximises satisfaction for as many people as possible. This holds true for all people, everywhere at any time. It is human nature to want to raise our level of comfort, enjoy good health, increase our leisure time and have the income to enjoy it. The study of economics is the study of how best to achieve this.

In the earliest economies, which were technologically simpler and less populated, the basis of life was hunting and gathering. Work consisted of making tools and weapons, learning how to use them and how to read the environment so food could be found. The return on all this effort (income) was fresh meat, edible plants, water and so on. This hunter-gatherer existence suited small bands of
Productivity: The quantity of goods and services (output) produced from a given quantity of resources (inputs). Over time, productivity increases due to improved technology and labour skills.

Income: Return to owners of useful resources. It is usually known as earned income in the form of money (money income). When the return is measured in terms of goods and services, it is called real income.

Around 8000 BC world population was somewhere between 5 and 10 million. By this time, people found they could increase the return on their efforts if they planted and cultivated edible plants, instead of wandering around looking for them, and if they domesticated animals instead of hunting them. This meant they could settle in one place and build permanent dwellings, instead of camping in caves or under rock overhangs. Thus returns (income) on human effort increased (productivity rose), which allowed greater comfort, a more secure, sustainable and diverse food supply and longer life expectancy.

Productivity has increased so much over the centuries, especially in the last 200 years, that people in economically and industrially mature countries like Australia, the USA and Japan, now live longer, work fewer hours and enjoy a higher standard of living than at any time in the past. Understanding how this has come about and how to ensure this progress continues into the future is the task of economics.
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1 Write the sentences below in your files, completing them with appropriate words or phrases from the text.
   a Economics is about meeting our ...
   b It is also concerned with improving ...
   c Human beings used to live by the simple methods of ...
   d The return on people's efforts when using these methods included ...
   e As people in societies progressed throughout history, they found they could produce more if they ...
   f They could then ...
   g The very rapid rise in productivity in the last 200 years means people today can ...
   h Productivity means to ...
   i It is made possible by improvements in ...

2 Read the above text again and complete the following activities. Your task is to examine the list of statements given on page 5. For each one, state whether you think it is correct or incorrect and explain why. You may feel you know too little to be able to comment on the statements, but if you work with a partner and develop your ideas you will be surprised at what you come up with. The value of this exercise is in the thinking and collaborating it requires and the free flow of ideas it generates. As you discuss each statement, record the ideas in your file and use them to construct paragraphs.

Before you begin, examine the model answer on the first statement which is provided as a guide for you.

MODEL ANSWER

STATEMENT 1
Improving living standards means increasing the output of goods and services in an economy and this can only be done by people working longer and harder. The following two paragraphs are two possible answers to the question. Read them carefully.

PARAGRAPH 1
I don't agree with this statement because if this were true people would be working more hours and a lot harder than people have done in the past. In most developed sections of an economy such as India's and in developed countries like Australia, for example,
the working week has got shorter and work has become less physically demanding and unpleasant. Technological progress and higher educational and training standards have increased productivity. This allows people to produce more without working harder, which means they can be paid more. This is the basis of improving living standards.

PARAGRAPH 2

Increasing productivity is the way to improve living standards because it allows greater production of goods and services from a given quantity of resources or the same level of output with fewer resources. This means people can have more leisure time without production or income falling. People’s lives therefore improve because they don’t have to work as hard or as long, they have more time for their own interests and more money to spend. Rising productivity usually means cheaper goods and services, so people’s incomes go further (real income rises).

There is no one correct answer. Your answers can be written correctly in many different ways, but the most important things are:

a Write clearly, making sure your punctuation, spelling and sentence structure (syntax) are correct.

b Make sure you have sensible and convincing points to make in answer to the question.

Statements

Statement 2: Basically, an economist is a person who is interested in maximising human material well-being or satisfaction.

Statement 3: People who lived mainly by hunting and gathering (e.g. Australian Aborigines) had nothing in common economically with the people of ancient Egypt or modern Australia.

Statement 4: In modern Australia, Japan or Germany, economic progress has reached its limits. It is not possible to achieve further progress.

When you have finished, swap your paragraphs with a partner and read each other’s answers. Write one positive comment on your partner’s work.
Needs and wants

Needs refer to those things which are essential to maintain life (necessities), such as food, clothing and shelter. The term wants has a wider meaning. It includes all needs plus the other material things we desire in our lives which are not necessary to life itself. Needs have an instinctive or biological basis, i.e. we do not have any choice about eating, we die if we do not eat. Wants are based on habit, culture, age, maturity, taste, fashion and so on. For example, what we eat and how we eat is determined by culture. Therefore, while we need food, we might want a pizza or a bowl of rice and we may eat it with our fingers or with a knife and fork or chopsticks. Similarly, what we wear is determined by fashion, taste, age and culture.

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1 Make a list of your most urgent wants and estimate their cost.

2 With a partner, discuss whether the following items are wants or needs:
   a Petrol  
   b Nike joggers  
   c Cigarettes  
   d Water  
   e Refrigerator  
   f M & Ms

3 If you were a millionaire, you could satisfy all your wants. Do you agree?

4 Make a list of ways the wants of a young person might differ from the wants of an old person.

Types of wants

Wants are usually classified as either individual or collective.

Individual wants

You might want a new pair of jeans, a new CD or to go to the movies. These are examples of individual wants. We
each try to satisfy these and other wants through our individual purchases of goods and services. We use our income to do this which we earn through our contribution to the process of production. Most people derive income from being employed. This kind of income is called a wage or salary. It is the income you get when you work for someone else. Some people receive income from the Federal Government because they don’t have a job or cannot work because they are sick, disabled or too old.

**Collective wants**

Collective wants are wants desired by the whole community. They are provided by governments. Goods and services provided by government are called collective or public goods and services. Examples include parks, footpaths, rubbish disposal and libraries at the local level. At the State level, examples include roads, schools, hospitals, police, water and power. The Federal Government provides defence, airports, social security (welfare) and health cover. We all pay for these public goods and services through the taxes we pay.

### Activities

A retrieval chart is a very useful tool for summarising text, particularly with compare and contrast type questions. Below is an example set up for the following question.

**Focus question**

What is the difference between individual and collective wants?

1 Half of the chart has been completed to show you how it is done. Copy the whole chart into your files and complete the part on collective wants. The retrieval chart allows you to retrieve or extract the main points from the text in note form. This can then be used as the basis for a written answer.
Collective wants

Definition:

Examples:

Individual wants

Definition:

- things a person wants
- paid for with income (wages and salaries or welfare payments)

Examples:

- new jeans
- new CD
- movie ticket

Using your completed chart, write a paragraph answer to the focus question above. Write a draft copy first, proofread and edit it, then rewrite it. Get a partner to proofread it for you as a final check.

Characteristics of wants

All wants have a number of characteristics. They are:

- **Recurrent**: Some wants occur again and again, e.g. food, clothing, petrol for the car.
- **Complementary**: Some wants go with other wants, e.g. petrol is complementary to a car, a lighter to cigarettes and socks to shoes.
- **Competitive**: Income is limited, therefore not all wants can be satisfied. They compete with each other to be consumed by the individual.
- **Unlimited**: Material wants are never completely satisfied. When one want has been satisfied, another takes its place.
• Changeable: Wants change over time due to taste, fashion, technology, age, income, season and so on.

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1 Make a list of wants that change over time due to each of the causes listed below.
   a Taste.
   b Fashion.
   c Technology.
   d Age.
   e Season.

2 Poster activity
   In all societies, wealth, income and resources are distributed unevenly. Some people are rich, some are poor and the rest are in between. In our society, most people are somewhere in between the poor and the rich (the middle class). In some societies, most people are poor and some are very rich. Design a poster with the theme: ‘A person who lives in poverty.’ Let your imagination run free and use lots of colour.

3 When you have finished your poster, write a paragraph describing the difference between a wealthy person and a poor person. How would the problem of scarcity be different for each of them?

Scarcity

By now you should clearly understand that economics is about using available resources to satisfy as many needs and wants of as many people as possible. All societies are faced with a basic problem—the problem of scarcity. This means that the resources society needs to produce goods and services to meet people’s needs and wants are limited. Remember our definition of economics on page 7? Because the resources are limited, the goods and services produced are limited relative to demand for them. This scarcity creates the need for choice. Consumers have to make choices as to what goods and services to buy and producers have to decide what resources to purchase and what goods and services to produce with those resources.

This characteristic of scarcity allows us to classify goods into different categories. We can call goods which are
scarce relative to wants economic goods. Anything which has a price is an economic good. Its price reflects its scarcity. The scarcer a good is, the higher its price; the more available a good is, the lower its price. Think about water and diamonds. We all know that water is essential to life and diamonds are not, yet water is cheap and diamonds are very expensive. The price of both water and diamonds is determined by the degree of scarcity of each. Water is less scarce than diamonds, so it is cheaper. The fact that water is so cheap reflects its abundance. If water were very scarce, it would be expensive and if diamonds were as plentiful as water, they would be very cheap.

Some goods are free, but these are very few. Obviously they must be free because they are not scarce. Two examples of free goods are air and sunshine. Can you think of any others? Goods which households buy are called consumer goods. They are final products which are used directly to satisfy individual wants and needs. Things like food, clothing, cigarettes, a can of lemonade or a movie ticket are examples of final consumer goods. Some consumer goods last a long time, like a car, a television and other household appliances. Such goods are called consumer durables or durable consumer goods. Other final products are consumed quickly or in a relatively short space of time, such as food, petrol, cosmetics and clothing. These products are called non-durable consumer goods.

Goods which are used to make other goods and services are called capital goods, or producer goods. These are goods bought by producers which they use to produce something else. Examples include machinery, tools and office equipment. Capital goods are used in the production process along with other resources.
Copy the chart below in your files. Give the meaning and a few examples of each of the terms: economic goods, free goods, capital goods, consumer goods, durable consumer goods and non-durable consumer goods. Try to think of examples that are different to those given in the text above.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Economic goods</td>
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<tr>
<td>Free goods</td>
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<tr>
<td>Consumer goods</td>
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<td>Capital goods</td>
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<td>Durable consumer goods</td>
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<tr>
<td>Non-durable consumer goods</td>
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